NEWS RELEASE

CALIFORNIA STATE TREASURER PHIL ANGELIDES

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TREASURER ANGELIDES' PROPOSALS TO TARGET EXCESSIVE 'GOLDEN PARACHUTES' AND STOCK AND OPTION GRANTS FOR CORPORATE EXECUTIVES APPROVED BY CALPERS BOARD AS PART OF TOUGH, NEW EXECUTIVE PAY INITIATIVE FOR COMING YEAR

At Treasurer's Urging, CalPERS Takes Lead on National Effort to Rein in Lavish Corporate Executive Severance Packages, Agrees to Target Oversized Equity Pay Packages For Top Five Executives at Nation's Largest Companies

SACRAMENTO, CA – The California Public Employees' Retirement System (CalPERS) today approved, as part of its tough, new initiative to rein in excessive executive pay, Treasurer Phil Angelides' proposals to curb lavish corporate "golden parachute" agreements for executives and to block oversized equity compensation packages for top executives at the nation's largest companies in which CalPERS has investments.

"Today's action by CalPERS sends a clear message: It is time to rein in excessive executive pay practices that hurt shareholders, our economy, and the faith of ordinary investors," Angelides said. "We will spotlight the good, the bad, and the ugly, to return executive pay to the realm of reality and to once again truly reward long-term performance."

As approved by CalPERS, Angelides' effort to rein in golden parachutes focuses on the lavish rewards heaped on corporate executives as a result of mergers they engineer. CalPERS will take the lead in setting tough new executive severance policies, assuring that executive severance packages related to mergers and acquisitions are aligned with shareholders' interests, and will consider actions in 2005 against a targeted set of executive compensation and merger plans that do not meet these policies.

Angelides was joined in August by five other CalPERS board members in proposing the golden parachute policy, in the wake of revelations about the up to $600 million in "golden parachute" payments to executives of WellPoint Health Networks, Inc., triggered by the merger of that company and Anthem, Inc., payments that will be made regardless of the performance of the merged company.

"The wide corporate acceptance of golden parachute awards is a sign that the market has spun wildly out of control," Angelides said. "Such practices can be corrected only through concerted action by shareholders to restore common sense and balance to severance pay."

In addition, CalPERS also adopted the Treasurer's proposal to take whatever actions are necessary – if companies do not act on their own – to prod corporations to reform their executive pay practices by curbing excessive compensation, broadening the distribution of their equity compensation plans to more employees, and more clearly linking compensation to performance.

CalPERS' action today on executive pay follows the Treasurer's release last week of his "Spotlight Four List" of four corporations that are among the most egregious violators of new executive compensation policies adopted last year by CalPERS and the California State Teachers' Retirement System (CalSTRS) for the 1,000 largest companies in which the funds invest their money. Under those guidelines, CalPERS and CalSTRS will vote to support equity compensation plans if the plans award less than five percent of the total compensation granted to the top five executives of the company.

Last week's "Spotlight Four List" of companies fall far short of the mark. The List includes UnitedGlobalCom Inc., Denver (communications); UNUMProvident Corp., Chattanooga, TN (insurance); AES Corp., Arlington, VA (utilities/energy); and Omnicare Inc., Covington, KY (pharmaceuticals).

"These companies just don't get it. What these companies are doing is not only wrong for shareholders, but is also wrong for their employees and the economy overall," Angelides said.

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